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Capital and Capitalistic Organization

Service at Cost Plans. An Identical Analysis of Statutes, Ordinances, Agreements, and Commission Orders in Effect, or Proposed, together with a Discussion of the Essentials of Local Transportation Franchises. By HARLOW C. CLARK. (New York: American Electric Railway Association. 1920. Pp. vi, 315.)

The first part of this monograph (66 pp.) is devoted to a discussion of the fundamental requirements of desirable service-at-cost contracts between street railway companies and municipalities, while the second part consists of a comparative analysis of the different service-at-cost agreements that have been adopted or considered in the several cities. Mr. Clark considers the street railway problem entirely from the standpoint of desirable agreements between operating companies and cities. He gives no consideration to municipal ownership and operation, assuming the obvious superiority of private operation, and therefore looks upon the newer service-at-cost agreements as the solution of the complicated street railway problems of the country.

The point emphasized mainly is the need of a unified system of street railroad transportation of a city. Mr. Clark would include within the same agreement all the transportation facilities in a municipality, whether subway, elevated, surface or motor bus lines. In the extension of lines or provision of service, there would be no competitive interests but simply the welfare of the public and the stipulated returns to the companies.

The second outstanding point, to which are devoted five short chapters, is the certainty of return to investors. Adequate service in a growing city requires constantly new capital, which must come from private investors, and therefore requires a high degree of certainty of return. Desirable service-at-cost contracts would not only safeguard the capital, but would practically guarantee the return, at least to the extent that rates can be fixed high enough under economical management to cover operating expenses and taxes, and to provide for depreciation and return on investment. After the initial valuation of the property, a stipulated return would be allowed on actual investment, and interest or dividends would be allowed in the cost of service as provided in the securities sold to investors. On this basis, there would be no lack of private capital available for street railway purposes.

Another point emphasized besides the safeguarding of return

to investors is the need of adequate compensation for management, which Mr. Clark distinguishes from the requirement of return on capital. He does not make clear whether the special compensation to management would go to the stockholders as additional dividends or to officers and employees as salaries and wages. Some form of bonus may perhaps be practicable to act as direct inducement to efficiency and progressive management, but any particular plan would have to be carefully worked out, or it would place higher costs upon the consumers without adding to economy or improvement of service.

The author would make the cost-of-service plan indeterminate as to period. The city would have the power at any time to adopt any transportation policy which seemed desirable, or to replace an unsatisfactory management. He emphasizes the desirability of not fixing rigidly either the quantity and the character of the service, or the rates paid by the public. Elasticity of control and definite rights of the investors are the essentials of the cost-of-service agreements.

In the second part of the monograph a comparison is made between the different cost-of-service agreements as to their chief conditions. The comparison includes nine major headings; and under subheads the provisions of the different agreements are quoted or briefly summarized. The book, therefore, brings together the provision of the various contracts for the convenient comparison of any particular subject-matter.

While the book is of the propaganda character, it nevertheless sets forth fairly the conditions of the modern franchises in a very liberal way. It is a valuable addition to the discussion of the street railway problem.

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NEW BOOKS

DEWING, A. S. *The financial policy of corporations.* (New York: Ronald Press. 1920. Five vols. \$12.00.)

LEONARD, G. B. *The Minneapolis Street Railway and the new franchise.* Second revised edition. (Minneapolis: Author, 700 Andrus Bldg. 1920. Pp. 68. 20c.)

STEWART, F. M. *Public service rates in Texas cities.* University of Texas bulletin no. 1971. (Austin: Univ. Texas. 1919. Pp. 191.)
Revision of *Public service rates in Texas cities* compiled by Mr.